

CALIFORNIA STATE TEACHERS' RETIREMENT BOARD  
INVESTMENT COMMITTEE

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SUBJECT: Report of the Chief Investment Officer

ITEM NUMBER: 14

ATTACHMENT(S): 2

ACTION: \_\_\_\_\_

DATE OF MEETING: June 2, 1999

INFORMATION: X

PRESENTER(S): Mr. Mitchell

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The following is a summary of the developments in the financial markets that have occurred between May 1, 1999 and May 19, 1999.

1. The yield on the 30 year U.S. Treasury bond has increased from 5.66% to 5.87%.
2. The market level of the S&P 500 Index has increased from 1,335 to 1,338.
3. The U.S. dollar has strengthened compared to the yen (119 to 122) while being unchanged compared to pound sterling (1.61 to 1.61) and euro (107 to 107).
4. The Federal Reserve Board of Governors held their meeting on May 18, 1999. The Federal Reserve took no action leaving the Fed Funds rate of 4.75% and discount rate of 4.50% unchanged.
5. The Trust Universe Comparison Service (TUCS) numbers for March 31, 1999 were released and presented below. The chart is divided into the CalSTRS return, universe median return, and relative ranking for the periods ended March 31, 1999.

	Total Returns of All Master Trusts		
	CalSTRS' Return	Median Return	CalSTRS' Ranking
Quarter	1.8%	1.7%	45
One Year	9.9%	7.0%	23
Two Years	18.1%	17.4%	41
Three Years	14.9%	15.5%	59

NOTE: ATTACHMENTS 1 AND 2 WERE NOT AVAILABLE IN  
ELECTRONIC FORMAT AT THIS TIME

**California State Teachers' Retirement System**  
**Internal S&P 500 Indexed Portfolio Return**

The California State Teachers' Retirement System's internal S&P 500 Indexed Portfolio (Portfolio) was \$1,294,886,779 as of April 30, 1999. The performance objective of the Portfolio is to closely track the return of the S&P 500 Index. Table 1 summarizes the results for the Portfolio, the benchmark S&P 500 Index, and the difference, called "tracking error."

**Table 1: S&P 500 Performance**

<b>Period</b>	<b>Portfolio Return</b>	<b>Index Return</b>	<b>Tracking Error</b>
3/31/98 – 12/31/98	12.892	12.975	-0.083
12/31/98 – 4/30/99	8.954	8.939	+0.015

Portfolio return calculated by State Street Bank Analytics.

The total return for the Index was calculated by Wilshire Associates.